

Department of Education

2015 SLAA REPORT

January 8, 2016

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Education submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Michelle Zumot, Chief Deputy Superintendent, at (916) 319-0794, mzumot@cde.ca.gov.

BACKGROUND

The California Department of Education (CDE) mission is to provide a world-class education for all students, from early childhood to adulthood. The CDE serves the state by innovating and collaborating with educators, schools, parents, and community partners. Together, as a team, the CDE prepares students to live, work, and thrive in a multicultural, multilingual, and highly connected world.

The CDE's goal is to transform public education by adopting and implementing new rigorous California academic standards to better prepare students for twenty-first-century careers and college, and developing an improved accountability system that uses multiple measures to more completely assess the progress schools are making, with a particular focus on five critical and interrelated strategic priorities: California standards, teaching and leading excellence, student success, continuous improvement and accountability systems, and systems change and support.

The CDE operating environment is centered within the following five main branches:

1. District, School, and Innovation Branch (DSIB):

The DSIB oversees programs promoting innovation and improved student achievement. Programs include statewide student assessment, school and district interventions, state and federal accountability, and collection and reporting of educational data.

2. Instruction and Learning Support Branch (ILSB):

The ILSB develops and implements state standards, assists in fulfilling state/federal requirements, provides leadership and support to early childhood learning and local educational agencies, designs coherent, high-quality technical assistance, programs, and resources in order to ensure that educators use evidence-informed educational practices, are responsive to the diversity of California students and prepare them to succeed in college and careers.

3. Legal, Audits, and Compliance Branch (LACB):

The LACB advises and represents the CDE, the State Superintendent of Public Instruction, and the State Board of Education, provides advice on legislation and legal matters regarding other governmental agencies and the state special schools, and coordinates and conducts external and internal audits and audit-related services.

4. Services for Administration, Finance, Technology, and Infrastructure Branch (SAFTIB):

The SAFTIB oversees the CDE budget, accounting, information technology systems, and personnel and contract services. The SAFTIB is also responsible for the apportionment of state and federal resources to local educational agencies (LEAs) and assists LEAs on fiscal and business aspects of public schools.

5. Student Support and Special Services Branch (SSSSB):

The SSSSB provides leadership, guidance, training, and resources that support opportunities for students to become healthy, productive, and lifelong learners.

The CDE control environment includes:

- An organization plan that provides segregation of duties appropriate for proper safeguarding of state assets.
- A plan that limits access to state agency assets to authorized personnel who require those assets in the performance of their assigned duties.
- A system of authorization and recordkeeping procedures adequate to provide effective accounting controls over assets, liabilities, revenues, and expenditures.
- An established system of practices to be followed by personnel in performance of duties and functions.
- Personnel of a quality commensurate with assigned duties and responsibilities.
- An effective system of internal review.

RISK ASSESSMENT PROCESS

The CDE completed a comprehensive department-wide risk assessment to fulfill planning requirements contained in the Department of Finance Guidance for Management's Evaluation of Controls (Audit Guide), 2013 Edition. The CDE, Audits and Investigations Division, utilized the Audit Guide as a reference in performing a biennial review of the CDE's systems of internal control as required by the SLAA.

In developing the department-wide risk assessment, the CDE utilized a risk-based questionnaire designed to acquire information from executive management and division directors (top levels of agency leadership) to evaluate risk affecting the: (1) reliability and integrity of financial and operational information; (2) effectiveness and efficiency of operations; (3) safeguarding of assets; and (4) compliance with laws, regulations, and contracts. Additionally, the questionnaire was designed to consider risk within the five interrelated internal control components of the: (1) control environment; (2) business exposure; (3) public and political sensitivity; (4) information technology and management reporting; and (5) organizational change/growth. The questionnaire was treated as a high priority for response, with emphasis and follow up from executive management for completion.

Following receipt of the completed questionnaires, the CDE analyzed the responses and categorized management's concerns into high-level risk areas, and identified whether the risks were related to processes that were centralized, decentralized, or operational/division-specific in nature. Identified risks were prioritized and weighted attributes in consideration of (1) fiscal or operational impact to the CDE, (2) severity of possible internal control deficiencies, and (3) risk of potential fraud or misappropriation of state assets. In addition to the questionnaire responses, the CDE also considers external and internal audit findings, and referrals and complaints received from internal and external sources. Utilizing the information received and applying the aforementioned risk prioritization, the Audits and Investigations Division drafted an audit plan that was reviewed and approved by executive management.

EVALUATION OF RISKS AND CONTROLS

Operations- External- FI\$Cal Conversion

The completion, conversion, and implementation of FI\$Cal may result in operational delays and inefficiencies. Although the CDE is taking steps to prepare for the new systems,foreseen possible issues may not be within the control of the CDE.

The CDE fiscal staff are attending available training offered by the Department of Finance, the State Controller's Office, the State Treasurer's Office, and the Department of General Services. Additionally, the CDE is monitoring the progress of the implementation of FI\$Cal and planning accordingly.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

Based on the department-wide risk assessment, the fiscal and administrative processes completed at the state special schools and diagnostic centers are risk areas. The state special schools (schools for the blind and deaf) and three diagnostic centers are spread throughout California. As a result, the state special schools and diagnostic centers substantially operate as independent entities under the leadership of school superintendents and diagnostic center directors, who report directly to the director of the State Special Schools and Services Division at CDE headquarters.

Based on the identified risks, the CDE Audits and Investigations Division is working with the State Special Schools and Services Division to ensure appropriate audit resources are directed to the highest risk processes to improve the effectiveness and efficiency of established internal controls and ensure their proper implementation.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The CDE has five main branches, three state special schools, and three diagnostic centers with more than 2,550 authorized positions and \$70 billion in state and federal funds for fiscal year 2015-16, to carry out the mission of providing a world-class education for all students. The CDE employs a variety of professional and specialized classifications that work to provide oversight, support and technical assistance to schools, school districts, child care agencies, and other entities that receive state and federal educational funds each year. Ensuring that the CDE has sufficient institutional knowledge and resources to continue to provide these vital services is paramount to meeting the mission.

The CDE is committed to the sharing of institutional knowledge and training of current and future staff to prevent and mitigate key person dependency throughout the CDE. To facilitate this process all divisions are reviewing and updating, as necessary, current written policies and procedures. In addition, the CDE ensures that all staff have access to adequate and job relevant training and development opportunities.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Education reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Department of Education, Tom Torlakson, State Superintendent of Public Instruction, is responsible for the overall establishment and maintenance of the internal control system. We have

identified Michelle Zumot, Chief Deputy Superintendent, as our designated agency monitor(s).

Frequency of Monitoring Activities

The CDE executive staff meet weekly to discuss and share any current or potential internal control issues that may need to be addressed. These meetings allow management to discuss issues and the steps needed to mitigate or eliminate the identified concerns.

Reporting and Documenting Monitoring Activities

The CDE holds management leadership meetings each month to discuss and disseminate operational and administrative information, including any pertinent monitoring activity issues that may need to be timely addressed.

Procedure for Addressing Identified Internal Control Deficiencies

The CDE's various divisions have responsibility to address identified internal and external control deficiencies. In meeting this responsibility, the CDE Audits and Investigations Division is available as a resource to conduct internal control assessments and to follow up on corrective actions taken to mitigate or eliminate known internal and external control deficiencies.

CONCLUSION

The Department of Education strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Education accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Tom Torlakson, State Superintendent of Public Instruction

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations